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The road back to prosperity

[Melbourne]

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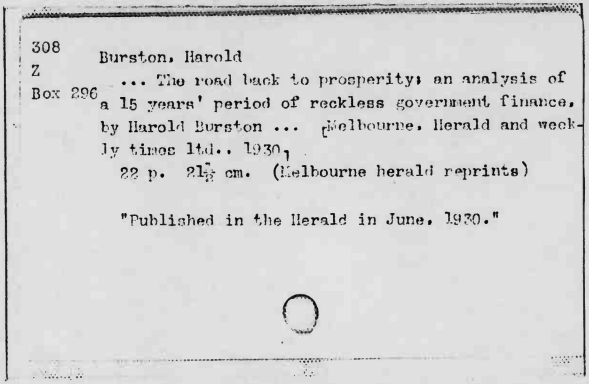

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Melbourne Herald Reprints

The Road Back to Prosperity

An Analysis of a 15 Years' Period of Reckless Government Finance

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— *By* —

HAROLD BURSTON

The Herald's Financial Writer

ISSUED GRATIS

Published in The Herald
in June, 1930

Why Government Savings are Vital

Treasurers are planning further raids on depleted incomes to recover big deficiencies of revenue.

The value of exported goods has declined from £145,000,000 a year to at least £100,000,000—probably more.

New borrowings overseas, recently at the rate of £22,500,000 a year, have ceased.

These facts must be faced.

Australia has suddenly slipped back ten years in its trade position.

The huge sums shown above no longer pass between individuals, and represent a tremendous decline of national income, which is no longer available for tax imposts.

Government expenditures must go back to correspond.

Government expenditures have shown this growth, exclusive of spendings on new works:

	1919	1929
Commonwealth	£38,665,347	£72,306,888
States	£58,962,524	£120,925,565
	£97,627,871	£193,232,453

These are the tax increases that have been paid to maintain the expenditures, after larger revenues were received from business undertakings:

	1919	1929
Commonwealth	£32,864,486	£56,303,489
States	£12,083,004	£32,435,249
	£44,947,490	£88,738,738

With crippled incomes the public is incapable of paying taxes on an increased scale. Industry must suffer and unemployment increase.

The only effective remedy is **to cut all costs of government.**

Oct. 30, 1930 DA/HRC

Facts That Must Be Faced

BY THE EDITOR OF THE HERALD

THE Australian national income has fallen by about £100 millions. Nearly one-sixth of our total revenue has gone by way of reduced borrowing, reduced prices for exports, and reduced internal trade through the other reductions. That fact has been apparent for more than six months. Even 12 months ago a loss of £50 or £60 millions was written on the wall. But many people remain blind to it.

Amidst the absorbing pursuits of life, the democracy finds little time to train its mind to envisage the more complicated of its economic problems. But there is no excuse for the members of the seven Parliaments of the country failing to face all the facts squarely.

The objective of "The Herald" articles on Government finance has been to awaken such a public conscience that the political leaders will, by the threatened coercion of votes, be forced to attune the finances of State and Federation to the drastically changed condition of the country's industry. Mr. Burston's figures are unassailable. They comprise a series of carefully checked calculations, based upon official records brought up to the latest possible date. They hide nothing, either favorable or unfavorable, and the conclusions reached are unbiased by any political view. They are the result of plain common sense applied to actualities.

The bearing of Government finance on the present situation is not by any means absolute, either as cause or remedy. But Government finance plus Government policy are undoubtedly the most important single factors at work. Their combined influence is indeed vital. It is our opinion that Government finance, even apart from Government policy, is itself fundamental, and that a substantial improvement in the position is possible through the actions advocated by Mr. Burston.

Through the last 14 years—dating from the time when Mr. W. M. Hughes, most irresponsible of politicians, began the scattering of public money to placate and subject important blocks of votes—the public expenditure has advanced with tremendous rapidity. Each successive State Government and each Federal Government, seeking security by filling the pockets of the democracy, have joined in a scattering of money, too often with little regard to the value received. Mr. Burston shows that, bad as is the record of the National Parliament, the worst offenders are to be found among the States, where, in addition to the mounting costs of public departments, the expenditure of loan money on non-productive works has proceeded wildly. The examination of what has been secured in return

for the £300 millions of loans spent since the war is a sorry business. And the constantly increasing taxation of the people, to pay new interest bills and new officials and departments, has withdrawn more and more savings, and more and more labor, from their rightful employment in industry.

There is today much recrimination, and this probably would be just as well avoided. The Parliaments doubtless have been most to blame. But the public itself has been always ready to profit by the excessive importations of loans. All classes have pushed their claims for the two prizes that seemed to be brought within their reach—security and preferment in occupation, and increased comforts and luxuries. And it should be said that much of the abuse hurled against the last Bruce Ministry is at least a little unmerited. Whilst other Governments were anxious only to plunge deeper into the morass of debt, Mr. Bruce at least performed the herculean task of binding down all the States to the severe restrictions of a Loan Council, and he attempted, with certainly some success, to knock uneconomic development schemes on the head with the axe of the Development and Migration Commission.

The task is not recrimination, but retrenchment and reconstruction. We have got to adjust our industrial life to much lessened income, and we have got to adjust our overseas trade to two-thirds of its past values. Within our country we must work a little harder and take a little less, and we must equalise the loss so that the engulfment of certain sections of the people, with widespread distress and the severe strain of our institutions, should not take place. In overseas trade, we have got to send abroad enough saleable products to pay for the £30 millions a year of gold debt that stands against us in overseas markets, plus the temporary accommodation that public finance requires, plus what sadly reduced imports we are able to afford. These are delicate and most difficult tasks, requiring the best qualities of our people. They can not be achieved unless we all think bravely, and face our individual losses patriotically. The sun will still smile on us, the birds will sing, and eventually we shall be all the better for the experience of the deflation.

But it is not with this aspect that these articles deal. The articles have been published in an endeavor to bring the Parliaments of the country to their senses, and the safest way of doing this is to make quite certain that the democracy realises what has been going on and becomes ready to vote against those political leaders who will not put things right.

Australia's Big Financial Problems

THE long run of national prosperity enjoyed by the Commonwealth came to an abrupt end when prices for export produce collapsed early in the past season, and when, concurrently, overseas money markets became unfavorable for loan flotations. The difficulties created are of a magnitude not yet fully appreciated by the community. An examination of some of the problems, and how they must be met, are the purposes of this series of articles.

Artificial Prosperity

Prosperous conditions that ruled, with but minor breaks, since wartime conditions inflated prices, were partially real, but, unfortunately, they were to a large measure also artificial.

Real prosperity had been the reward of increased production that secured very favorable average prices; but, at the same time, financial obligations overseas were being met by heavy borrowings, that resulted in abnormal activity when expended within the Commonwealth. In this way, false standards, that had developed in the war years, were permitted to persist throughout a period when other countries were in process of deflation.

Had only one of the factors that contributed to the prosperity become unfavorable, current and prospective difficulties would not be so severe. But their combined influence has weakened and almost wrecked the foundations of the whole superstructure of public and private finance.

An understanding of the causes of the big decline of national income, and of the setback to national advancement, is necessary to appreciate the problems that have to be met by individuals, all corporate bodies and associations, and, more particularly, by every Government.

The public mind has been confused by the involved nature of the problems, particularly when expressed in terms of money, and does not realise the extent and incidence of some of the difficulties. Consequently the actions of a few outstanding leaders, who have endeavored to apply the only possible remedies to avoid catastrophies, are not adequately appreciated.

Solvency the First Objective

Australia's big financial problems today are in three divisions. Foremost is the necessity for preserving international solvency. At any sacrifice, we must pay our commitments to the rest of the world, whether they have been incurred as interest on borrowings or by purchases of goods.

An acute position, that has been only partially indicated by the adverse swing of exchange rates, has been developing for some months in London, the clearing centre for our international activities.

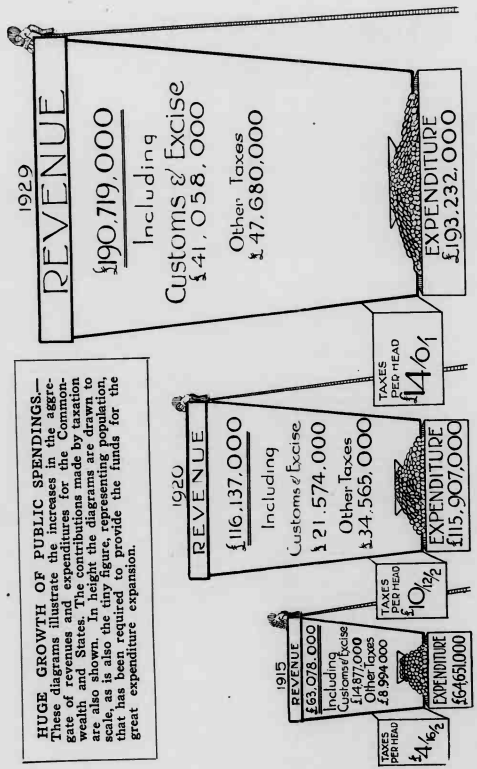
The extremely delicate situation there, owing to the accumulation of big commitments, is still not fully understood. Export trade adversity makes it impossible for the Commonwealth to meet the big current indebtedness incurred by interest accruing on loans, and by the excess of purchases of goods over exports, though the latter have included the shipment of nearly 27 millions worth of our gold stocks.

The banks, by rationing overseas credits at high charges, and the Federal Government, by imposing embargoes on imports, have been applying remedies to rectify the position. The extent of their success is not yet visible, but even should more drastic measures become necessary, complete adjustment of the London hiatus, representing some tens of millions, will not be possible for an extended period.

The ultimate restoration of a satisfactory balance of the London account is beyond any doubt. In extreme circumstances we would be compelled to eliminate most imports and live almost entirely on our own resources till the adjustment should be complete.

Internal Difficulties

Other major problems are internal. The heavy decline in receipts from exported production, and the consequent fall of national income,



HUGE GROWTH OF PUBLIC SPENDINGS.—These diagrams illustrate the increases in the aggregate of revenues and expenditures for the Commonwealth and States. The contributions made by taxation are also shown. In height the diagrams are drawn to scale, as is also the study figure representing population, that has been required to provide the funds for the great expenditure expansion.

are forcing adjustments in every section of private finance.

A complete revision of Government, or public, finance has become urgent. Swift adjustments to balance accounts are the first requirements. Of no less importance is the necessity for relieving the community of tax burdens it is no longer capable of carrying in its weakened financial condition.

If, by some magic, the prices of all commodities and services, and of wages and other costs, could be lowered within a brief period by, say, 15 per cent., and big economies could be effected in Government activities, general internal financial soundness would be rapidly restored, and a new prosperity would quickly follow.

Unfortunately the process is not so simple, in spite of the world's great advances in efficiency of economic control. The far-reaching revisions of standards of money rates, wages, profit margins and production conditions, and of national finances, must necessarily be made slowly.

Swift adjustments would cause collapses, and general losses, and involve greater unemployment misery than gradual movements to new levels.

Revised Standards Dictated

The process of relatively slow adjustment to new standards, dictated by the changed conditions is now the general experience in every field of private finance. It is being accompanied by abnormal unemployment, and by losses of trade that are disturbing the fundamentals of business.

In spite of any artificial interferences, this process of adjustment will continue its course, until new and sound levels are reached. Private finance has successfully survived the first shocks, and is demonstrating that it possesses sufficient reserve capacity to be subjected to further reorganisation, with only minor casualties, to complete the adjustment process. The demonstrated ability of Australian industry and trade to meet the strain of adversity successfully is the most encouraging feature of the period of exceptional difficulties.

Problems of the Budgets

The greatest menace to Australia's welfare in the crisis is the condition of public finance. Throughout long periods there has been lavish spending of borrowed money on developmental projects that have been incapable of earning the big interest charges. It has been accompanied by increasing extravagance of administration, by failure to stem huge leakages of revenue, by heavy recurring deficits, and by participation in costly enterprises and services that are luxuries the tax-paying community, now severely limited in numbers and earning power, can no longer afford.

Public finance in the years of national prosperity was notable for huge growths of public debt, and by tremendous inflations of revenues and expenditures. These two factors are the root troubles of the position with which every Treasury is now faced, and these articles will show that the additional interest burden is only a small portion of the spendings of recent years.

Lavish Expenditures

The accompanying diagram, prepared from these official figures, presents one comparative view of the great advances of the aggregate revenues and expenditures of the Commonwealth and States over the period affected by war influences and over the next nine years. They give a graphic view of the incursions made by the combined Governments into national income.

Most notable is the paradox presented by the very slow growth of the midget figure, representing the population of Australia, that has been required to meet the tax demands of the Treasuries. The populations for the years were: — 1915, 4,932,000; 1920, 5,411,000; 1929, 6,414,000.

The influence of the war debt and of war obligations on the aggregate figures for 1920 and 1929 are not given in the diagrams. The measure of oppressiveness of the war burden will be shown in subsequent articles. However, it has been eclipsed by the loan operations of the States, and by extravagances in raising and spending public revenues.

The first steps in finding the road back to prosperity necessitate drastic curtailment of all uneconomic Government expenditure and far-reaching reductions in all costs of services and of administration.

The difficulties of balancing the seven budgets will be so great during the next few years that modifications of national policy will possibly become necessary, requiring contractions of some social services, funds for which cannot be expected to be available.

THE BURDEN OF TAXATION

	1915	1919	1924	1929
Customs and Excise . . .	£14,887,254	£17,426,970	£35,750,784	£41,058,571
Per head ..	£2/19/10	£3/8/8	£6/4/5	£6/9/7
Other Federal Taxes	1,993,342	15,437,516	15,101,699	15,244,918
Per head .	8/1	3/0/9	2/12/6	2/8/1
State Taxes ..	7,000,395	12,083,004	20,400,849	32,435,249
Per head ..	1/8/3	2/7/6	3/11/10	5/2/7
Total Taxes .	£23,870,991	£44,947,490	£71,253,332	£88,738,738
Per head ..	4/16/2	8/16/9	12/7/10	14/0/1

The tax figures given above do not include numerous "invisible" imposts. For instance, there is the postage stamp impost. The bounty paid by the public through the market on butter last year was £2,151,537. Then there is the sugar bounty.

Much of the increased State taxation has been required to meet deficits on railways, which incurred losses of £40,000,000 in 10 years.

In spite of the larger taxation, last year the Commonwealth and States incurred approximately £10,000,000 of deficits, and accumulated deficiencies will exceed £22,000,000.

Of the increase of total taxation from 23¾ millions in 1915 to 88¾ millions last year, the annual cost of the war (interest, sinking funds, pensions and repatriation) requires only 30 millions.

The following tables give details of the sources of the huge taxation increases:—

COMMONWEALTH—

	1915	1919	1924	1929
Customs . . .	£12,105,698	£11,605,410	£25,177,882	£29,502,755
Excise	2,771,556	5,821,560	10,572,902	11,555,816
Land Tax . . .	1,953,696	2,109,171	2,030,127	2,988,885
Income Tax . . .	Nil	10,376,456	11,057,555	9,841,496
Estate Duties .	39,646	923,908	1,320,911	2,080,149
War Profits . .	Nil	1,206,538	70,646	Dr. 24,309†
Entertainments .	Nil	358,126	622,460	358,697
	£16,870,596	£32,64,486*	£50,852,483	£56,303,489

*Includes £463,317 War Postage. †Refund War Profits Tax.

STATES—

	1915	1919	1924	1929
Probate	£1,393,380	3,701,584	£2,374,079	£3,915,500
Other Stamps Duties	1,269,909		3,928,338	4,261,512
Land	556,088	1,180,793	1,237,027	1,881,865
Income and Dividend . . .	3,245,836	6,123,446	10,420,760	15,948,803
Licences* . . .	434,381	515,233	954,497	1,344,650
Other Taxes* .	100,741	450,198	1,110,437	3,525,756
	£7,000,395	£11,971,254	£20,025,138	£30,878,086

*Includes Motor Taxation, increased from £344,774 in 1920 to £4,201,646 in 1929.

The States' Great Loan Orgy

WITH the current financial year almost at its close, fairly accurate forecasts are possible of the heavy deficits that have been incurred by the Commonwealth and the six State Governments. They emphasise the critical condition of public finance.

Commonwealth revenue is expected to fall to meet expenditure by £2,500,000. The New South Wales Treasury recently forecast a deficit of £4,000,000. Victoria is expected to be short by £800,000, and South Australia announced a 1¾ millions deficit.

Aggregate deficiencies for the year will probably be not much less than £10,000,000, and that figure will not include allowances which should be made for the capital depreciation of railways and of other unpayable undertakings in which three hundreds of millions of loan funds have been sunk.

Budget Balancing Problems

The current year's big deficiencies represent only one portion of the burden imposed by the chaotic condition of public finance. The taxpayer will also be required to recover the excesses of expenditure of previous years.

An examination of the accounts for the seven Governments at June 30, 1929, shows deficits had accumulated as follow:

Commonwealth	£4,987,718
New South Wales ..	4,341,181
Victoria	147,017
Queensland	165,958
South Australia	2,747,628
West Australia	231,730
Tasmania	203,869

The total is 12¾ millions, and aggregate visible deficits at June 30 will certainly be not less than 22 millions.

These figures only partially reveal the true condition. With the exception of South Australia, whose figures are based on the Auditor-General's estimates of some charges that should properly have been made against revenue, there are big undisclosed deficiencies, particularly in railway and settlement undertakings. In the case of Queensland, an accumulated deficit of £1,382,188 in 1928 was funded, by covering this sum by loan, and Tasmania eight years ago similarly met an accumulated deficit of £349,401.

Problems of Declining Revenues

Every Australian Government is faced with extreme difficulties in the coming year.

Big declines of Commonwealth customs duties will be accompanied by collapses of taxation payments on existing assessment rates, and by falls of revenues from other sources. National income has so contracted that normal revenues are not collectable.

The tasks of curtailing expenditures within the compass of reduced revenues are the big, immediate problems of the Treasuries, apart from any efforts to recover the accumulated deficiencies.

The diagrams that accompanied the first article gave a graphic picture of the tremendous growth of Government income and outgo, and of the tax loads that increased out of all reasonable proportion to the advance of population.

Boom of Loan Spendings

One of the major single causes of the expansion of total payments has been on account of interest on a huge increase of public debt. Nevertheless, in a growth of aggregate expenditure by 128¼ millions in 14 years (from 64¼ millions in 1915, to 193 millions for 1929), the expansion of interest payments was 43¼ millions (from 12 to 55¼ millions).

Huge as the increased interest bill has been in volume, it represents but 34 per cent. of the aggregate growth of expenditure.

It obviously becomes necessary to seek other causes than the burden of interest on public debt for the true explanation of the growth of public spendings.

Declining War Influence

There is a popular belief that a substantial portion of existing difficulties is directly attributable to Australia's participation in the Great War. This illusion has been maintained by a succession of Treasurers, in seeking excuses for extravagance, and has been a gross imposition on the community.

In an increase of Commonwealth expenditure from 16 millions in 1915 to 72½ millions in 1929, the portion incurred by war services is 30 millions,

including all interest on loans, sinking funds, pensions and repatriation charges. They represent only slightly more than one-half the increase. Meantime, the revenues of the State, which were only indirectly affected by the war, have soared from 48½ to 121 millions.

Taking the war debt separately, it represents but 37 per cent. of the aggregate public debts of the Commonwealth and States, Between June, 1914, and March, this year, the growth of all debt was from £339,437,000 to £1,117,276,000. Of this increase by £777,839,000, only £284,086,000 represented unredeemed loans incurred to finance war operations.

ANNUAL INTEREST ON AUSTRALIAN PUBLIC DEBTS

	War Debts.	Other Commonwealth Debts.	State Debts.	Aggregate Interest.	Payable Overseas.	Payable in Australia.
1914 .	Nil	£689,247	£11,440,122	£12,129,369	£8,152,772	£3,976,597
1919 .	£12,992,583	1,020,274	15,927,084	29,939,941	14,739,292	15,200,649
1922 .	16,316,508	1,339,069	23,925,538	41,581,115	18,751,503	22,829,612
1925 .	15,323,148	2,281,675	29,158,556	46,763,379	21,910,731	24,852,648
1928 .	15,421,750	4,069,839	35,566,428	55,058,017	27,497,049	27,560,968
1929 .	15,175,998	4,395,679	35,927,808	55,499,485	27,530,993	27,968,492

War Debt One-fourth of the Total

The total loan expenditure on the war was only six millions less than the total public debt of 1914, but loan spendings by the States developed to the extent that the remaining war debt, after having been reduced by nearly 50 millions during the past eight years, now represents only one-fourth of the total national debt.

On a population basis, the war debt is approximately £44/5/9 a head, out of a total of £174/3/8, and is an increase of all debts by £105/12/ since 1914.

Some aspects of the debt burden are illustrated by the diagram accompanying this article. It shows a relatively moderate growth of Commonwealth debt since 1919, and a tremendous expansion of State borrowings. The effect of the increase of all loans by £412,000,000 since 1919 has been to reduce the ratio of war debt to aggregate debt from 39.7 to 25.4 per cent.

Debts other than war debts increased by 22 per cent. between 1914 and 1919, but this year they show an increase of 145 per cent. on 1914 debt.

Inescapable Interest Bill

Though these figures establish that the burden of public (including war) debt has accounted for only a moderate portion of the growth of public expenditure. the serious influences of the situation must not be discounted. The interest bill is a fixed and inescapable charge. Obligations to lenders prevent any efforts being made to effect economies in respect of interest payments in national Budgets, and no relief from these charges can be expected until maturity gives opportunities to take advantage of lower money rates.

Another view of Australia's debt problems is given by the table showing the tremendous growth of the annual interest bill, separating the payments on war debt, other Commonwealth debt, and on State loans.

The total interest bill for all public debt has shown an expansion of from 12 millions to nearly 55½ millions since 1914, and of more than 43 millions increase, the war debt is accounting for only 15 millions.

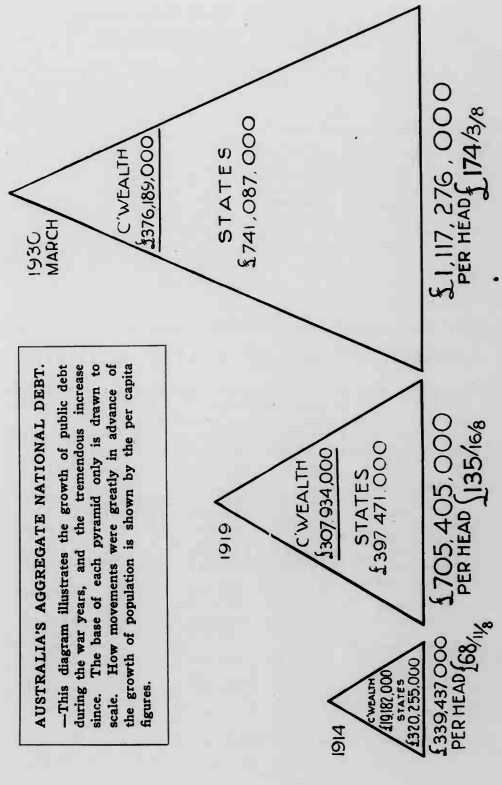
The influences of the interest commitments on our international relations is indicated in the second last column of the table, which shows that overseas interest charges (on aggregate debts) increased from slightly more than eight millions in 1914 to 27½ millions for 1929.

War Debt Mainly Internal

Most of the war loans were raised locally, and less than 4½ millions of the annual interest on them is payable overseas. Making this deduction, 14½ millions of the 19½ millions increase of overseas interest is directly attributable to the greatly increased volumes of loans raised by the States.

No attempt has been made in these articles to adjust the comparisons to the variations in purchasing power of money at different periods. The dominating fact in the current very difficult position is that whilst all commodities are tending to decline in value to pre-war levels, the legacy of the inflation period threatens to persist, in the form of high interest charges and excessive costs.

Going back only to 1919 gives a more satisfactory basis for comparison, by eliminating some influences of changes of price levels of the war period. The Commonwealth's exports improved from 114 millions for 1919



AUSTRALIA'S AGGREGATE NATIONAL DEBT.—This diagram illustrates the growth of public debt during the war years, and the tremendous increase since. The base of each pyramid only is drawn to scale. How movements were greatly in advance of the growth of population is shown by the per capita figures.

to 144¾ millions for 1929, an improvement of 27 per cent. In the same period of 10 years overseas debts increased from £358,162,000 to £531,745,000 (48 per cent.), and owing also to higher money rates, the interest bill payable abroad has increased 87 per cent.

For the first 10 months of the current year exports (excluding gold shipments) declined by 43 millions.

With the value of exports so seriously diminished, large arrears of an adverse trade balance still remaining to be covered, and annual interest commitments increased to the huge amount of 27½ millions, the magnitude of the problem of overseas finance becomes apparent. One direct effect of the overseas loan commitments is to reduce our purchasing power abroad by more than £19,000,000 annually, compared with 1914.

Double Burden Imposed

These figures record the effects of the States' great boom in loan spendings that came to an end last year. It has not been accompanied by any satisfactory relative improvement of production capacity, and tens of millions have gone into enterprises that are not earning the high interest rates and are, therefore, placing a double burden on the community.

One of the most urgent reforms to help restore Australia's financial affairs on a satisfactory basis is to subject all recent expenditure out of loans to review, and endeavor to develop the maximum power of earning, to recover as much as possible of the interest charges involved.

Other fields of public expenditure, reviewed in the next article, show startling growths and require more drastic remedies.

AGGREGATE COSTS OF STATES' ACTIVITIES

Every Australian has become committed to contributing £8/17/8 a head annually, against £3/7/11 in 1915, to meet the big increases in the costs of Federal Government.

Expenditure by the States required an increase of average State taxation from £1/8/3 a head to £5/2/7.

	1915	1919	1924	1929
Public Debt Charge . .	£12,161,326	£15,857,727	£25,090,952	£35,149,477
Public Works	1,817,332	1,158,648	2,038,827	2,951,494
Mines	626,975	666,867	910,871	1,140,767
Lands and Agriculture .	1,838,842	1,786,711	2,759,445	2,477,810
Justice and Penal	2,557,299	2,768,141	4,282,492	5,923,338
Harbors and Rivers . . .	741,120	726,500	1,085,646	1,302,069
Water and Sewerage . .	761,010	857,128	1,420,673	2,044,820
Education . .	4,182,635	5,128,157	8,652,754	11,637,150
Health and Hospitals . .	1,782,774	2,500,402	3,532,014	4,078,124
Charitable Institutions . . .	524,789	717,405	1,050,251	3,338,070
Total Expenditures (exc. Railways) . .	£31,860,090	£38,384,032	£59,559,618	£78,292,402

Despite all new taxation, the States have accumulated deficits of £13,000,000.

Perplexing Problems of Government Economy

OTHER articles explained how declines in the values of Australian exports — amounting to 43 millions value, for the 10 months to April, compared with the same period of 1929—combined with the cessation of public borrowing overseas, led to the existing crisis.

Extravagant spendings by every successive Government over a long period cut deeper into national income, requiring taxation to be almost doubled within a short period of ten years.

In spite of huge growths of receipts, expenditures outpaced them, and at the close of the year, on June 30, accumulated deficits for more than 22 millions had to be faced by seven Governments in a period of severe national adversity.

Declines of Revenue

Acute problems of internal finance in the immediate future will be to provide against the contraction of revenue receipts. The sources of income for the Commonwealth and State Governments, and their great growth since 1915, are summarised in an accompanying table.

PRINCIPAL SOURCES OF COMMONWEALTH AND STATE REVENUES.

	1915	1919	1924	1929
COMMONWEALTH.—				
Customs & Excise	£14,877,254	£17,426,970	£35,750,784	£41,058,571
Other Taxes . . .	1,993,342	15,437,516	15,101,699	15,244,918
Other Revenue . .	5,549,202	11,852,432	15,164,720	22,681,062
Total	£22,419,798	£44,716,918	£66,017,203	£78,984,551
ALL STATES.—				
Taxation	£7,000,395	£12,083,004	£20,400,849	£32,435,249
Railways	20,736,474	25,040,717	41,031,515	48,246,501
Other Revenue . .	12,921,358	14,657,823	24,317,960	31,052,800
Total* . . .	£40,658,227	£51,781,544	£85,750,324	£111,734,550
Aggregate Revenue .	£63,078,025	£96,498,462	£151,767,527	£190,719,101

*Excluding Commonwealth subsidies.

Permanent Interest Charge

Analyses of public accounts have shown that the annual internal and external interest burdens of public debt (including war debt) have increased from 12 to 55¼ millions since 1914, apart from sinking fund requirements.

This is one commitment from which no relief can be expected, except by making efforts to secure improved revenues from the undertakings in which loans were expended. The current condition of some of the "assets" developed out of loans gives no hope of their early capacity to meet their interest charges.

Public debt is only one factor contributing to existing difficulties. The amount required for annual interest is 55¼ millions, with approximately eight millions for sinking funds, out of an aggregate expenditure that last year had increased to 193¾ millions.

The slump of national income will seriously affect the amounts collectable in direct taxation, even allowing for substantial increases in assessment rates, which must be adopted only as temporary expedients if the welfare of the nation is to be preserved.

Big declines in customs receipts are also certain, owing to the curtailment of imports resulting from lessened spending capacity abroad by the stoppage of the flow of overseas loans, and by the emergency restrictions im-

posed with the object of restoring the trade balance.

Throughout most Government services, big reductions of revenue will be experienced, following the falling off of trade, though larger production from improved seasons will give some compensations.

Attack on Costs

As every Government has been spending beyond its income, and, unlike any soundly conducted commercial undertaking, is wholly devoid of reserves to meet a period of adversity, attacks on every channel of expenditure have become imperative. There is no other possible way of meeting the situation.

Balancing of budgets for several years will be a severe task that every Treasury has to face, apart from giving any attention to recovering accumulations of deficits of the current and past years.

It is not practicable to present an adequately comprehensive table of aggregate spendings by Governments in the same way that has been given by the tables of revenues. The figures are involved, and each group of expenditure in the seven accounts requires independent and detailed examination.

The general position cannot be too frequently emphasised. Boom revenues are of the past. There are fixed charges that are permanent burdens. Expenditures other than those fixed charges must be adjusted to the new measure of the then remaining balance of revenue receipts.

What those available amounts of revenue will be cannot at present be guessed, because the reduced powers of the community to contribute public revenues and utilise services cannot be computed.

Lower Costs of Living Needed

Apart from the obvious necessity for removing all extravagances of expenditure, other reductions in the costs of all services must be faced to enable the outgo to contract to within the compass of available income.

Every move to effect reductions in the costs of living will assist in making possible the necessary reductions of Government payments. The existing critical situation may be expected to require recessions of the latter in advance of a full decline of living costs.

COSTS OF COMMONWEALTH SERVICES

	1915	1919	1924	1929
Governor General	£24,750	£23,875	£27,845	£39,547
Parliament (exc. Elections) . . .	256,005	243,254	335,291	438,414
Prime Minister (exc. Debt Charges) . . .	56,642	202,959	552,143	521,078
Home Affairs and Territories. . .	*	489,163	522,640	648,202
Attorney-General .	78,466	94,686	162,136	246,743
Works and Railways	*	683,874	669,331	1,227,699
Treasury (exc. Pensions) . . .	1,047,870	1,222,580	1,510,599	1,378,170
Trade and Customs (exc. Bounties) .	523,032	787,045	1,171,959	1,101,551
Postmaster-General . . .	5,221,274	5,449,722	9,273,494	12,680,725
Health	*	*	167,917	291,113

*Previously not operated as separate departments; figures not available.

The Commonwealth Auditor-General (Mr C. J. Cerutty), in his annual report to Parliament three months ago, said:—

"All Government expenditure should be reduced, so as to bring the annual costs of government within the revenue. Duplication in Commonwealth and State activities should not be allowed."

The Commonwealth Statistician has already recorded sharp drops in prices, leading to lower costs of living. Taking 1911 and 1000 as the base, the wholesale price index for eight groups of commodities was as high as 1858 in September last, against the peak of 1972 towards the end of 1927. But there have been heavy falls until the figures for the first three months of this year were: January, 1719; February, 1674; March, 1647.

The table of retail prices and housing, prepared by the Commonwealth Statistician for the Commonwealth Arbitration Court, shows a sharp decline of from 1825 for the December quarter of 1929, to 1752 for the first quarter of this year. The year 1911 and 1000 are again the base for comparisons.

Wages have already commenced to decline, and their continued contraction will have a most important influence in assisting adjustments to bring expenditures within the limits of diminished revenues.

228,000 Public Servants

The importance of wage and salary reductions is illustrated by the strength of the civil service, and by the magnitude of business undertakings conducted by Governments. Excluding temporary employes (excepting in railways), part-time officers, naval and military employes, and those engaged in State trading enterprises, the latest figures reveal a total of 228,000 civil servants. The size of Government pay-rolls is indicated by the calculation that an average fall by 5/ a week in wages would amount to nearly £3,000,000 annually.

The railways are the largest of national undertakings. They account for 137,300 of the total of 228,000 civil servants, and nearly 37 per cent of aggregate State expenditures is absorbed by railway working expenses. Including Commonwealth systems, annual operating costs, apart from interest or sinking fund charges, have increased from 30¾ millions to more than 38½ millions only since 1924.

The railways constitute the greatest single problem in the national working accounts, and their position is so serious as to require separate, detailed review.

How Expenditure Soared

The increased burdens of other services carried by national revenues are also great.

The important factor of increased population must not be neglected, of course. But the growth of expenditures out of consolidated revenue is shown to have advanced out of all reasonable proportion to population improvements. In 1915 the expenditure represented £9/15/6 per head of population. By 1919 the figure was £11/2/5, and there were steady increases for every year until £16/5/5 was shown for 1924, and £19/2/5 last year.

Education services that cost the States £8,652,754 in 1924, last year required £11,637,150.

Expenditure on public health, hospitals and charitable institutions was £4,582,265 in 1924, and £7,416,194 in 1929.

In the same period there was an increase from £4,282,492 to £5,923,338 in the cost to the States of justice, police and penal departments.

State public works departments have increased their cost from £2,038,827 to £2,951,494, and in spite of the great decline of mining, Mines Department expenses have advanced from £910,871 to £1,140,767.

These figures are the movements for only five years, and illustrate how costs of Government were allowed to increase unchecked in a period not affected materially by variations in the cost of living.

Pre-War Comparisons

Going back to pre-war times, and neglecting the influences of changed price levels, the increases are so huge as to be almost unbelievable. Railway working expenses alone have increased from 15¼ millions to 38½ millions since 1913.

Educational costs have risen from 3¾ millions to 11½ millions, and the justice branches from under 2½ millions to nearly six millions.

The Commonwealth is now committed to paying war pensions amounting to almost eight millions annually (including administration), and since 1915 there has been the great increase of from 111,309 to 204,541 in the numbers of old-age and invalid pensions, involving the growth of annual payments from £2,779,957 to £7,875,069.

Maternity allowances, one of the only declining items of expenditure, are still requiring £678,000 annually.

The Commonwealth, assisted by Customs and excise revenue that advanced from 17½ to 41 millions in

ten years, has shown big increases of outgo in practically every department, particularly since Canberra became the seat of Government.

Huge Losses on Territories

The capital cost of Canberra to the end of 1929, excluding Parliament House and railways, was 9¼ millions. The excess of expenditure over receipts for that year was £434,851, and factories, hotels and other trading activities had incurred an accumulated deficit of £282,482.

Canberra is but one of the Commonwealth's costly undertakings. The Northern Territory had drifted into the desperate position of involving the Commonwealth in a record loss of £576,024 last year. Total deficiencies for the past ten years on that territory have amounted to almost 3¼ millions.

All the figures in this article illustrate the need for urgent and drastic measures to reduce all working and administration expenses to meet the vital changes in revenues. The explanation that the additional charges were reasonable and unavoidable cannot be accepted in the existing critical financial condition.

Governments differ in no way from individuals. The limits of their expenditure are equally dictated by the measure of income available. The only alternative is bankruptcy.

COSTS OF VICTORIAN STATE DEPARTMENTS

Department	1919 Salaries	1919 Total Expend.	1929 Salaries	1929 Total Expend.
Chief Secretary .	£530,484	£1,026,700	£1,055,094	£2,039,784
Labor	16,420	27,203	26,409	33,681
Education . . .	930,186	1,137,751	2,197,810	2,653,158
Justice	115,668	146,356	200,297	267,087
Treasurer . . .	106,010	528,386	192,556	1,140,300
Lands	67,629	164,419	68,172	203,478
Water Supply . .	*	109,240	*	260,518
Agriculture . .	46,768	172,900	115,423	340,127
Forests	*	64,212	*	106,075
Public Works . .	69,852	352,375	85,954	686,717
Health	9,918	180,642†	25,235	143,127
Railways	*	4,277,777	*	9,456,569
Coal Mine . . .	*	266,693	*	730,579
Total . . .	£1,892,935	£8,454,654	£3,966,950	£18,061,200

*In business undertakings salaries included as working expenses.
†Including influenza epidemic expenses.

Other Expenditures—	1919	1929
Debt Interest	£3,062,862	£7,542,406
Pensions (exc. Railways Officers)	228,263	361,352
Grants and Endowments . .	199,309	372,963
Aggregate Expenditures .	£12,468,068	£27,251,578

Oppressive Burden of Unpayable Railways

MOST acute of all problems, requiring adjustment, is the crippled condition of State-owned railways.

Their general financial position is so bad, and the recurring annual deficits have become so large, that the keenest advocate of State control could not fail to be converted to the view that their acquisition by private interests, even at a heavily written-down capital value, would be a remarkable act of philanthropy on the part of the purchaser.

Latest figures, compiled by the Commonwealth Statistician, show a total construction and equipment cost of 309¾ millions, in the States' total indebtedness of 739 millions, and the annual interest bill, almost wholly payable abroad, is £15,101,402. Commonwealth railways account for 14 millions more capital, and an annual interest bill of £357,000.

Railways are the largest single item of expenditures, ranging from 20½ in Tasmania to 41 per cent. in New South Wales, with an average for all States of 36.6 per cent.

Loss of 45 Millions

The total loss on railways for 15 years, after paying interest, has been almost 45 millions, and nearly 23 millions of that was incurred in only the four years to 1929.

The annual average loss has been more than five millions, but that figure will be substantially increased for the current year. For 1929 Victoria was the only State to claim an apparent small surplus, but in one month recently the fall of income was almost as large as that surplus, and a big deficit is certain.

The huge losses represent the amount by which net earnings failed to meet the interest bill, and which became a charge on public revenues. But they are only the "visible" losses, giving the excess of expenditure over earnings, and do not include full depreciation charges. This means that capital wastage has not been fully allowed for, and assets to represent large amounts of loans, on which interest continues payable, have vanished.

In Victoria alone there has been an undisclosed loss of capital assets estimated at 16½ millions, in a total of 73 millions. South Australian railways that cost 26¾ millions have depreciated by four millions, and the position in other States is worse.

Railways Over-Capitalised

The effect of adequate depreciation not having been provided has been a very serious over-capitalisation of the undertakings, which has been aggravated by the construction of new unpayable lines and by great increases in equipment, out of costly loan funds. Between 1914 and 1929 the capital cost of all Australian railways increased from 180 to 323¾ millions, and all the new money is carrying the high interest rates of an abnormal period, which has also involved excessive construction and equipment costs.

Some comparative statistical features of the railways systems are given for three five-year periods by the accompanying table.

Australia has 4.25 miles of railways for every 1000 of population, and with the exception of Canada (4.37 per 1000) has the largest mileage in the world in relation to population. The United States, with almost 10 times the length of lines, has 2.18 miles for every 1000 of population.

The figures showing an increase of the average capital cost for each mile open from £9942 in 1919 to £12,297 last year, illustrate one aspect of over-capitalisation. Only 3683 miles of new lines have been opened, but their cost, and the heavy outlay on new equipment, have increased the annual interest charge from less than nine millions to nearly 15¾ millions.

Huge Expenses Increase

But while interest charges increased so heavily, operating expenses more than doubled in the same period—from 19 to 38¾ millions—and were entirely out of relationship with increases in goods and passenger traffic.

	1914	1919	1924	1929
Capital cost	£180,013,918	£224,921,708	£263,293,099	£328,770,550
Miles open	18,332	22,647	24,484	26,330
Cost per mile	£9,820	£9,942	£10,754	£12,297
Annual Revenue	£21,981,787	£25,306,781	£41,384,941	£48,815,726
Working Expenses	14,943,303	19,003,633	30,853,966	38,516,571
Net Earnings	£7,038,484	£6,303,148	£10,530,975	£10,299,155
Interest on Loans	6,446,894	8,998,027	12,093,967	15,458,680
Deficit	£591,590*	£2,694,879	£1,562,992	£5,159,525

*Surplus.

Owing to the less favorable 1929 year, when slumps occurred in volume of traffic, but were, nevertheless, accompanied by an increase of £130,000 in working expenses, a 10 years' comparison to 1928 (excluding Commonwealth lines) gives the best view of the growth of traffic and of costs:—

	1918	1928	Increase per cent.
Goods and Live stock (tons)	27,112,803	36,036,427	32.9
Passenger Journeys	262,631,785	375,316,978	43.0
Working Expenses	£17,278,037	£37,820,652	118.9

These percentage increases reveal in a startling manner how costs got out of control, and how railway users and the general taxpayers have been required to meet the rapidly increased charges.

On the wages side, one Commissioner has remarked that the ink on one award has hardly had time to dry when it has been superseded by another that has granted increases and modified conditions.

Working expenses for each mile of State railways worked, which gives the sounder basis for comparison, owing to opening of new lines, were £424 in 1914. During the abnormal war period, to 1919, the increase was to £902, but during the past 10 years there has been a further advance to £1569.

The Commonwealth Statistician also shows that working expenses for each train-mile run were 4/9¼ in 1914, 6/9¼ in 1919, and 10/9½ last year.

A Menace to Solvency

Now that the values of all classes of goods handled are tending to recede to pre-war levels, and passengers' incomes are similarly likely to retire, the menace of costly railways is a very serious one for the community.

The fixed interest burden of 15½ millions annually is itself a most serious problem, if only because the major portion of it is payable overseas.

How different the current position would have been under private ownership! Lavish expenditures would have been controlled within the lowest possible limits of commercial operations, and the interest on share or loan capital that could not be earned would simply not have been payable. Also, the community would unquestionably have obtained some advantages from taxation to which State systems are not liable.

Recently, in the aggregate, the net earnings of all railways (including Commonwealth lines) have been at the rate of only £3/3/5 per cent. on capital. After paying the fixed and State-guaranteed interest charges, there has been a loss of £1/11/9 per cent. on capital. And that does not take into account that full depreciation has not been provided to protect capital.

These disastrous results have been for normally favorable years. Conditions since have undergone a vast change, but with no adequate compensating relief from the crushing charges.

Economy Only Method

The railways situation throughout Australia demands urgent review and attack by a central organisation of experts from each State, with powers to take drastic action, not only to bring costs down to within the limits of earnings, but also to afford relief to producers and other users, to whom the current scales of freights and fares are excessive, in relation to their reduced earning capacity.

Unless effective remedies are rapidly applied, the railways drift, accentuated by the growth of competitive motor transport, must end in catastrophe. Closing of numerous unpayable lines cannot be avoided, except by immediate attack on all costs, and by effective co-ordination of transport facilities.

More than anything, the railways require an early substantial fall in the cost of living, to enable wages to be adjusted to new levels. Curtailment of services and retrenchment of employes, who increased from 91,835 to 112,195 in 10 years, and withdrawal of concessions in working conditions, are the only alternatives dictated by the existing impossible financial position, due to these increases in individual items of working expenses: —

	1919	1929
Maintenance	£8,739,113	£7,669,127
Loco., Carriage and Waggon charges	£8,768,092	£17,066,970
Traffic expenses	£5,202,675	£9,876,594
Other charges	£886,498	£3,340,088

Those figures must involve a "black day" for the railways systems, and for national finance, unless the remedies to meet changed conditions can be speedily applied.

Failure of Political Control

Apart from errors of policy in development, huge costs have been incurred by faulty administration, that has been dictated by political expediency, and by extravagances that have been possible only because Governments and Arbitration Courts have been successful in passing on the burdens to users of the services and to tax-payers generally.

Wage and operating conditions were imposed on the railways, irrespective of the industry's capacity to carry them. Influences of outside control discounted all efforts by Commissioners to conduct their undertakings on sound commercial principles.

The railways, though supplying the worst example of financial muddle, are not singular in showing increased costs, so greatly disproportionate to their enlarged services. Almost without exceptions, expenditures have soared in all fields of Government activity; there have been extensive duplications of services (particularly by the Commonwealth); millions have been wasted in temporary concessions, such as bonus and subsidies, that have become permanent; and huge losses have been incurred because settlement and other schemes have not been administered with reasonable application of commercial principles.

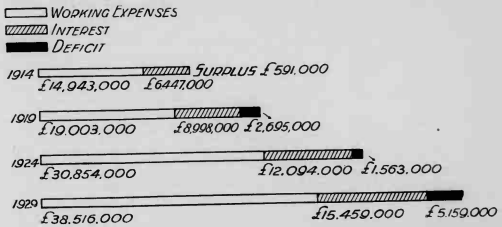
Scientific Management

The economic crisis is demonstrating how seriously all Government expenditures got out of hand. As revenues, more particularly from customs, direct taxation, and from larger services gradually contract the seriousness of the inflated spendings will become more apparent.

There are no indications of early relief by material improvements in export prices to restore former conditions, and the costs of all services must contract in even greater ratio than the fall of national income to re-establish sound conditions.

A body more scientific and more effective in control than constantly changing Parliaments, whose policies are necessarily frequently dictated by political expediency, and are consequently hampered in giving effect to remedies that are admitted to be necessary, is essential to make adjustments and effect permanent reforms in the control of all Government undertakings.

Unlimited optimism and casual indifference to the future that did not take into account world changes that would ultimately affect Australia's position, have been the main causes of the unwieldiness and excessive cost of Government services. Scientific methods and expert management, unfettered by any political or sectional considerations, and co-ordinated effort by every State, are required to give effect to the reforms that will lead to the road back to prosperity.



Complete Reorganisation the Key to National Recovery

ANALYSIS of every section of Government financial activity reveals increased expenditures, that got so completely out of control that they lost sound relationship to growth of population, to the expansion of business undertakings, to demands on services, and to variations in the cost of living.

In these articles it has been practicable only to make a general survey of aggregate figures. Detailed analysis of every increase would be necessary to bring into relief numerous individual extravagances, that, in combination, have placed a crushing burden on the community.

A thorough examination also requires a complete separation of the ordinary functions of Government from business undertakings. The aggregate picture, however, has the advantage of showing in a general way the full incidence of the weight of direct taxation incurred in conducting services, which are essentially of a Governmental nature, the huge indirect taxation levy required to meet the soaring costs of operating business undertakings, and of Governments going outside their strictly legitimate fields, and the crippling losses on loan schemes that have not been adequately reproductive.

Government Too Costly

The broad examination of the national accounts has established that, apart from commitments incurred by war debt and pensions and other war obligations, and independent of the burden of all other debt, and of the hazardous financial condition of the railway systems, all other activities have also been cutting too deeply into national income available for Governments in boom times. Now that income has declined, the necessary funds are not within the command of Governments.

Governmental interests and civil service expansion have grown top heavy in relationship to the rest of the community that must support them. All these revenue payments and the costs of concessions and liberal extensions of many social services, might be regarded as reasonable and just, should national income be capable of accommodating them without detriment to the general welfare of the community.

But even in the years of big revenues, costs soared disproportionately. Under conditions of severe collapses of private incomes, which alone can provide Government revenues, it has become evident that Government spendings must contract in every direction.

Economy Campaign

Retrenchments in the civil services, which have already begun with the Governor-General, and have extended to military and naval services, must continue. Every cost of administration must be subjected to review, to eliminate all extravagances, until expenditures are reduced within the compass of Governments' greatly curtailed revenue collecting powers.

With the tax-paying capacity of the community severely impaired, by income contraction, declined profits, lower taxable values, and diminished trade, wholesale reductions in the costs of every Government activity are the only method by which the existing acute problem of avoiding further deficits can be met.

Revisions of spendings will need to be more drastic than merely to effect a balancing of budgets, if national prosperity is to be restored, and if, at the same time, adequate consideration is to be given to ensuring an early revival of national progress.

One of the lessons most strongly emphasised by the current adversity is that Australia cannot depend for its development on overseas loan capital on the scale of recent years. We have been forced into the position of relying to a greater extent on our own financial resources for expansion.

Conditions for all classes of industry must, therefore, be made more attractive, so that private capital from overseas will be encouraged to flow in to supplement any local funds available to develop Australian resources to the maximum advantage.

Taxing Limits

Theoretical limits of taxing powers by the various Governments have not nearly been reached, but the burden is already too great for the general welfare of the nation. For many years, an excessive proportion of the national income, on which new enterprise is dependent for capital, has been diverted into non-reproductive Government channels.

Taxation increases to meet the emergency position must be expected, but looking to the future, national necessity also demands that they shall not become permanent additional burdens. For effective recovery, the greatest possible volumes of new internal capital must be conserved, and a policy of gradual tax reductions to the possible minimum, and conservation of the funds for reproductive enterprise, would have the most important influence on reviving prosperity.

To secure any early restoration to soundness, substantial declines in the costs of living, and concurrent falls in wages and all operating expenses are essential to restore a balance in keeping with diminished national income, and to enable all expenditures on Government activities to contract.

The Commonwealth is experiencing a period of national emergency. The problems of maintaining national solvency, both in our international relations and internally, and of effecting recovery, are extremely difficult. Emergency measures, such as became essential when the World War threatened our security, are required, so that every helpful force may be mobilised to apply the remedies that world experience has demonstrated are the only restoratives.

Finding the Solutions

The greatest doubt of the moment is whether political parties can be entrusted to adopt reconstruction measures that will be adequately effective. Political expediency can have no place in any scheme of sound readjustment.

The urgent need is for stringent national economy, both public and private, and for the fullest development of profitable production. The root causes of national difficulties must be examined, and only scientific, proved remedies applied.

Concerted action by the Commonwealth and all States is the immediate need. The appointment of a body constituted on lines similar to the Loan Council, at which leaders of all parties, assisted by co-opted expert financial and economic advisers, would agree upon a common national policy of reform, would have swift beneficial results. Such a conference would minimise the influence of political expediency.

The present emergency position, as in a time of war, has to be met without any concessions to sectional interests.

Above all, employment conditions throughout the Commonwealth demand such a conference in the interests of the worker. No class in the community is suffering more; existing heavy unemployment is the greatest disaster thus far experienced.

Mobilisation and utilisation of all available capital resources to the greatest reproductive advantage would have a big influence on remedying unemployment.

National Conference Needed

A National Economy Conference, besides tackling the problems of diminished revenues, and deciding upon the extinguishing of extravagances, would achieve more in recreating confidence than any other action. Revival of optimism was never more essential to release the capital that is now locked up, and which, with the outlook improved, would influence money to flow more freely, improve business generally, and reduce unemployment.

The road back to prosperity will be long and tedious, unless the rest of the world experiences such a swift recovery from its economic ills, that it should become capable of paying entirely unexpected high prices for Australian exported produce. All indications are that no such price recoveries can be expected, and that the tendency will be more and more towards pre-war standards.

The problems ahead of the Australian Governments are much more grave than the tasks of balancing the budgets, and of finding funds overseas to meet the interest bills on their due dates.

The closest scrutiny of every avenue of expenditure and of every source of revenue must also be accompanied by a review of policies under which Governments have participated in the financial affairs of trade and industry. Seven millions of direct cash contributions in the form of subsidies, bonuses and other aids have been made by the Federal Government alone to producers during the past 10 years, and the results, measured

as permanent advantages, have been disappointing.

Survey of Assets

The situation also requires that a complete economic survey of Australia's resources should be made to guide the policy for future development, and a thorough stocktaking conducted of all the nation's capital assets to enable the problem of lost loan capital to be effectively met in the future. The huge internal, undisclosed losses on railways, due mainly to unprovided depreciation, and on settlement schemes, must be given attention.

The capacity of Australia to retrieve its position is not in any doubt, provided waste and extravagance are eliminated, and a sound lead is given to the community by the complete reform that is so urgently required in every section of Government finance.

The foundations for future prosperity are intact. Resources are available to ensure greater production capacity than has ever been experienced in the past, and lower profits and wages can be assured more effective purchasing power, in a new prosperity, than was possible in the years of general inflation.

Prosperity Revival

The weaknesses of Australia Unlimited have been caused mainly by a failure to face facts, by recent indifferent management, resulting in wastage of capital, income and effort, and by the disinclination of its partners to work together amicably.

Principal assets are so sound, however, that, in spite of the weight of the mortgage, and the uncertain outlook for some enterprises, a complete recovery would be assured by rapid application of all necessary correctives. Huge virgin resources are available for sound development, to help restore a level of national dividends that will give greater real prosperity than has hitherto been enjoyed under artificial stimulus.

LARGER SPENDINGS BY MUNICIPALITIES

Lavish expenditure of public money has not been confined to the Commonwealth and State Governments.

The following table gives the latest figures compiled by the Commonwealth Statistician for 1058 local authorities in Australia.

In the short period of 13 years, outstanding borrowings have increased 353 per cent., and the interest bill 447 per cent.

Payments in rates have nearly trebled.

In recent years, these local bodies have been raising new loans at the rate of 8¾ millions annually.

In a period of lean incomes, the tax-payer is faced with carrying a huge interest burden on non-reproductive debt.

	1915	1928
Loan Liability	£19,040,249	£67,180,894
Annual Interest	750,717	3,355,889
Rate Receipts	5,314,684	15,564,930
Government Grants	709,058	2,897,400
Loans and Other Sources . .	2,414,251	17,846,260
Total Receipts	£8,437,993	£36,308,590
Total Expenditure	£8,565,318	£36,518,151

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